



Sean Rogan
Executive Director

**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

700 W. Main Street • Alhambra, CA 91801

Tel: 626.262.4511 • TDD: 626.943.3898 • www.lacdc.org

**Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich**
Commissioners

October 29, 2013

The Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

ADOPTED

Community Development Commission

2-D October 29, 2013

SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**APPROVE LOAN AGREEMENTS WITH LOW INCOME INVESTMENT FUND, CENTURY
HOUSING CORPORATION, AND CORPORATION FOR SUPPORTIVE HOUSING FOR
ADMINISTRATION OF THE REVOLVING LOAN FUND AS APPROVED UNDER THE HOMELESS
PREVENTION INITIATIVE
(ALL DISTRICTS) (3 VOTE)**

SUBJECT

This letter recommends approval for the Community Development Commission (Commission) to restructure the Revolving Loan Fund (RLF), administer it and enter into loan agreements with Low Income Investment Fund (LIIF), Century Housing Corporation, and Corporation for Supportive Housing for project loans. The RLF provides loans to affordable housing developers for predevelopment and acquisition activities. Approval of these actions will increase the availability of funds for developers and the supply of affordable housing in Los Angeles County.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Executive Director or his designee to terminate the existing Loan Agreement between the Commission and Los Angeles County Housing Innovation Fund, LLC (LACHIF).
2. Authorize the Executive Director or his designee to execute loan agreements between the Commission and LIIF, Century Housing Corporation, and Corporation for Supportive Housing (collectively, Lenders) to administer the RLF, to be effective following approval as to form by County Counsel and execution by all parties.
3. Approve the changes to the RLF as described herein, and authorize the Executive Director or his designee to execute all documents necessary to implement these changes and to restructure the

RLF.

4. Find that entering into loan agreements between the Commission and Lenders for project loans, is not subject to the provisions of the California Environmental Quality Act (CEQA), as described herein, because the action is not defined as a project under CEQA.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this action is to authorize the Commission to restructure the existing RLF. The RLF was approved by the Board of Commissioners of the County of Los Angeles on April 4, 2006, as part of the Homeless Prevention Initiative (HPI). The purpose of the RLF is to provide predevelopment and acquisition funds to developers to build housing for people who are homeless or at-risk of homelessness. Through the implementation of the RLF, the County provides additional resources to address homelessness.

FISCAL IMPACT/FINANCING

No new funding is being requested.

Under the current RLF structure, the County General funds allocated under the HPI are held by the fund administrator, LIIF, and distributed on an as-needed basis.

The new structure calls for County General Funds that remain in the fund, currently estimated at \$18 million, to be returned to the Commission and held by the Commission. The Commission would disburse funds on an as-needed basis.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On June 10, 2008, your Board approved and authorized the Commission's Executive Director to execute a loan agreement with LACHIF, a California Limited Liability Company comprised of the LIIF, Century Housing Corporation, and the Corporation for Supportive Housing. Under the loan agreement, the RLF is used by developers of affordable housing to assist with predevelopment and acquisition activities and is administered by LIIF. The agreement was executed by all parties on June 20, 2008.

The subsequent collapse of the capital markets in 2008 negatively affected RLF operations, and the RLF's main investors ceased participation. The RLF was suspended until new investors could be obtained. As market conditions continued to decline, attracting new investors to the RLF using the existing risk structure became increasingly difficult.

In July 2009, the fund was restructured to optimize the pool of possible investors. However, the fund continued to be underutilized because investors and developers were reluctant to fund new projects due to the uncertainty of the availability of permanent affordable housing financing after the dissolution of redevelopment agencies and cuts to federal funding.

The proposed restructure will ensure that the RLF is tailored to meet affordable housing developer financing needs in the current funding environment. The Commission proposes to alter the fund to a "structured participation" model allowing each Lender the flexibility to structure, participate and approve their own transactions. This will enable each Lender to provide more favorable loan rates and terms. Under this structure, the Commission will become the fund administrator.

A brief explanation of the primary restructure components is provided below.

Fund Priorities:

- The restructure calls for 40% of the funds to be used to develop housing for households with incomes at or below 35% of Area Median Income (AMI) within a limited 12-month period initially. After the expiration of the 12-month period, the funds would be placed into a general pool with the remaining 60% of the funds which serve households up to 60% of AMI. The Commission would consider the utilization of funds for mixed income projects where the AMI may reach 80%.

Revisions to Loan Terms:

- Stand-alone predevelopment financing up to \$750,000 would be available subject to the Commission's approval.
- Construction gap financing would be eligible if criteria are acceptable to the participating Lenders and the Commission.
- Preservation and portfolio recapitalization projects would be eligible.
- The maximum loan amount will be \$15 million. Lenders who wish to exceed the \$15 million cap could do so but would have to take the risk above the County's participation.

Private Leveraging:

- The overall private capital leveraged is expected to be \$40 million, for an estimated \$60 million in total available loan funding.
- The County will continue to fund 33% of each loan.

The new RLF structure will provide a simplified, flexible structure and approval process, and improved terms and underwriting criteria. This will ensure the RLF better meets the needs of affordable housing developers.

ENVIRONMENTAL DOCUMENTATION

This action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060 (c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

Each project funded under the RLF will require environmental clearance on a project-by-project basis. Prior to funding any particular project, an Environmental Service Request will be submitted to the Commission's Environmental Services Unit for review. Each project must receive an environmental clearance in accordance with CEQA guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The new RLF structure will provide a means to ensure the RLF meets the predevelopment financing needs of affordable housing developers and thereby increase the number of affordable housing units constructed in the County.

The Honorable Board of Supervisors
10/29/2013
Page 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN
Executive Director

SR:CC:cr